# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

## FISCAL IMPACT STATEMENT

**LS 7416** | **NOTE PREPARED:** Jan 12, 2013
**BILL NUMBER:** HB 1492 | **BILL AMENDED:**

**SUBJECT:** Property tax abatements for certain buildings.

**FIRST AUTHOR:** Rep. Karickhoff | **BILL STATUS:** As Introduced
**FIRST SPONSOR:**

**FUNDS AFFECTED:** <u>X</u> **GENERAL** | **IMPACT:** State & Local
**DEDICATED**
**FEDERAL**

**Summary of Legislation:** *Vacant Building Abatement*: This bill allows a designating body to specify characteristics of buildings to which the term "eligible vacant building" applies when granting a property tax deduction for the occupation of an eligible vacant building in an economic revitalization area. It extends the maximum term for which a property tax deduction for occupation of an eligible vacant building is normally allowed from two years to 10 years and it allows an alternative abatement schedule to be used for a deduction allowed for occupation of an eligible vacant building.

*New Deduction*: The bill also provides a new deduction for a property owner that a designating body determines is likely to vacate a building without the property tax deduction and thus create an eligible vacant building.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** The Department of Local Government Finance (DLGF) would be permitted to adopt rules regarding the new deduction in this bill. The DLGF would also prescribe a form for the statement of benefits. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Vacant Building Abatement - Summary*: The extension of the maximum term of the deduction and the expansion of eligible properties could both result in additional abatements. The additional deductions would remove assessed value from the tax base and shift part of the tax burden from the affected building owners to all other property owners. The reduced net assessed value would also increase tax rates, possibly causing a further increase in circuit breaker losses for civil taxing units and school corporations. The specific impact of this provision depends on local actions.

*Vacant Building Abatement - Background*: Vacant buildings are currently defined as buildings that are zoned for commercial or industrial purposes and are unoccupied for at least 1 year. The owner of an eligible vacant building located in an economic revitalization area may be granted a deduction from the AV of the building if the property owner or tenant occupies the eligible vacant building and uses it for commercial or industrial purposes. The deduction may be allowed for up to 2 years. Vacant building abatements provide deductions against existing assessed value and reduce the tax base.

This bill would increase the number of years for which a taxpayer may claim an abatement for a vacant building. The extension of the deduction term from 2 years to a maximum of 10 years would continue the tax base reduction for up to 8 additional years on a building.

The bill would add office property to the commercial or industrial property zoning requirement in the current definition of a vacant building. Instead of limiting the deduction to those property types, the bill would also permit the redevelopment commission to adopt a resolution defining characteristics of a vacant building in that revitalization area. The expansion of the term could result in additional properties qualifying for the abatements.

*New Deduction*: This provision would create a new deduction for a property owners likely to vacate a building. Like the current vacant building abatement, this new deduction would provide deductions against existing assessed value and reduce the tax base. The specific impact of this provision depends on local actions.

*Background*: Under this provision, a designating body could allow the deduction in order to prevent the building from becoming vacant. The deduction may be allowed for up to ten years and may equal up to 50% of the building's assessed value in each year. The deduction may not exceed the annual lease or rent amount.

The designating body would have to make findings regarding a statement of benefits filed by the taxpayer including:

1) Whether the employment estimates can be reasonably expected from continued occupation;
2) Whether the salary estimates can be reasonably expected to result from continued occupation;
3) Whether any other benefits can be reasonably expected to result from continued occupation;
4) Whether continued occupation of the building will avoid reduction of the tax base;
5) Whether failure to grant the deduction is likely to result in the building becoming an eligible vacant building; and
6) Whether the totality of benefits is sufficient to justify the deduction.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Redevelopment commissions; Local civil taxing units and school corporations.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.